



OFFICE OF PERSONNEL MANAGEMENT

Personnel Demonstration Project; Pay Banding and Performance-Based Pay Adjustments in the National Nuclear Security Administration

AGENCY: U.S. Office of Personnel Management.

ACTION: Notice of approval of a modification to a demonstration project final plan.

SUMMARY: The Civil Service Reform Act, authorizes the Office of Personnel Management (OPM) to conduct demonstration projects that experiment with new and different human resources management concepts to determine whether changes in policies or procedures would result in improved Federal human resources management. On December 21, 2007, OPM published a document in the *Federal Register* announcing final approval of a demonstration project plan for the National Nuclear Security Administration (NNSA), a separately organized agency within the U.S. Department of Energy (DOE). This notice constitutes OPM's approval of a modification of NNSA's final project plan to change performance rating levels and a related change to the performance rating level pay shares.

DATES: These modifications to NNSA's demonstration project final plan are effective immediately upon publication of this notice.

FOR FURTHER INFORMATION CONTACT: National Nuclear Security Administration: Melanie Ramirez, 505-261-6338, melanie.ramirez@nnsa.doe.gov. Office of Personnel Management: Michael Bostwick, 720-308-3265, michael.bostwick@opm.gov.

SUPPLEMENTARY INFORMATION:

1. Background

OPM approved NNSA's demonstration project final plan and it was published in the *Federal Register* on December 21, 2007 (72 FR 72776). The demonstration project was implemented on March 16, 2008, modified by three technical corrections to the final project plan on July 31, 2008, as published in the *Federal Register* (73 FR 44786) and modified by minor administrative

changes, one participating organization change, and two employee coverage changes on February 14, 2014 (79 FR 9007).

All employees of the Naval Nuclear Propulsion Program in the competitive services (as defined in section 2102 of title 5, United States Code) and all employees of the Department of Navy who are assigned to the Naval Nuclear Propulsion Program and are in the excepted services (as defined in section 2103 of title 5, United States Code) participate in the NNSA's demonstration project. With the publishing of the current NNSA Act on February 24, 2020, NNSA's demonstration project was extended for 10 years from the date of publication.

NNSA's demonstration project has been evaluated routinely with the latest evaluation taking place in 2017. These evaluations resulted in overall positive results.

2. Statement of Purpose

The principal purposes of the NNSA demonstration project are to—

(1) Modify and simplify the General Schedule (GS) classification system by establishing pay bands which may cover more than one grade; and

(2) Modify the GS pay system to base pay increases on performance distinctions made under a credible, strategically aligned performance appraisal program and thereby improve the results-oriented performance culture within the organization.

The primary goals of the project are to:

(1) Improve hiring by allowing NNSA to compete more effectively for high quality employees through the judicious use of higher entry salaries;

(2) Motivate and retain staff by providing faster pay progression for high-performing employees;

(3) Improve the usefulness and responsiveness of the position classification system to managers;

(4) Increase the efficiency of administering the position classification system through a simplified pay-banded application of the current General Schedule grade structure, and reduce

the procedural steps and documentation requirements traditionally associated with classifying positions;

(5) Eliminate automatic pay increases (i.e., annual adjustments that normally take effect the first day of the first pay period beginning on or after January 1) by making pay increases performance sensitive, so that only Fully Successful (known as “Fully Meets Expectations” in NNSA) and higher performers will receive pay adjustments, and the best performers will receive the largest pay adjustments;

(6) Integrate with, build upon, and advance the work of several key human capital management improvement initiatives and projects currently underway in NNSA, including—

a. Advancing the ongoing refinement of NNSA’s enterprise-wide performance management program, including automated refinements,

b. Achieving greater parity, though not complete harmony, with NNSA’s mature excepted service pay-banded and pay-for-performance system (e.g., will have a lower high-end pay band; no automatic pay increases, etc.),

c. Building on the simplified position description (PD) format and automated PD library that are already in place,

d. Continuing to develop improved performance management skills among first-line supervisors through increased program rigor, additional training, and better guidance materials, to better develop standards that reflect differences in performance,

e. Establishing a system of career enhancing career paths for the purpose of developing, advancing, and retaining employees,

f. Building on the workforce analysis and planning system, already in place, to identify FTE needs and competency needs and skills gaps, to conduct a valid occupational analysis to construct meaningful pay bands.

To accomplish these goals, NNSA modified and waived parts of the GS classification and pay system by identifying broad career paths, establishing pay bands which often combined grades,

eliminating longevity-based step progression, and providing for annual pay increases based on performance.

3. Description of Changes to the Project Plan

NNSA amends the original demonstration project final plan (72 FR 72776) to make two significant changes to the NNSA demonstration project performance rating system. One change concerns performance rating levels and one change concerns the number of performance shares assigned to identified performance rating levels.

(1) Performance Rating Levels Change

Section III, B. 1. indicates the NNSA current performance appraisal program uses a four-level rating pattern to both summarize performance and to appraise performance at the element level. Its summary level pattern under 5 CFR 430.208(d) uses Levels 1, 2, 3, and 5, which NNSA has labeled Does Not Meet Expectations, Needs Improvement, Fully Meets Expectations, and Significantly Exceeds Expectations, respectively.

NNSA believes that a rating recognizing employee performance above the Fully Meets Expectations (FME) level but not at the level of Significantly Exceeds Expectations (SEE) is a potential motivating factor for employees. In response, NNSA is altering the current Performance Rating titles to better reflect levels of employee performance to recognize employees who exceed expectations but do not meet the requirements for the SEE performance rating.

Section III, B.1. is updated to read “The program currently uses a five-level rating pattern to both summarize performance and to appraise performance at the element level, its summary level pattern under 5 CFR 430.208(d) uses Levels 1, 2, 3, 4, and 5, which NNSA has labeled Does Not Meet Expectations, Needs Improvement, Fully Meets Expectations, Exceeds Expectations, and Significantly Exceeds Expectations, respectively.”

(2) Performance-Based Pay Adjustments – Performance Shares Change

Section III, C.2. discusses how performance shares are distributed based on performance rating level and states: “Initially, the number of shares for each rating level will be as follows: 4 shares are assigned to a Significantly Exceeds Expectations summary rating when an employee receives SEE ratings in all critical elements; 3 shares are assigned when an employee receives a summary rating of SEE, but one or more critical elements are rated at FME; 2 shares are assigned to an FME summary rating when one or more critical elements are rated at SEE; and 1 share is assigned to an FME summary rating when no critical element is rated below FME. Employees who receive a final summary rating of FME with one critical element rated at the NI level are not eligible for any shares from the performance pay pool.”

The table below, which is included in the DEMO Policies and Procedures Manual, illustrates the current performance share distribution.

Summary Rating Level	Derivation	Shares
Level 4 – Significantly Exceeds Expectations (SEE)	All Specific Performance Objectives (SPOs) are rated at the SEE level.	4
	A majority of the SPOs are rated at the SEE level and the remaining SPOs rated at the FME level.	3
Level 3 – Fully Meets Expectations (FME)	There is an equal amount of SPOs rated at the SEE and FME levels, or a majority of the SPOs are rated at the FME level with the remaining SPOs rated at the SEE level.	2
	All SPOs are rated at the FME level.	1

Level 2 – Needs Improvement (NI)	One or more NI SPOs with none rated DNME.	0
Level 1 – Does Not Meet Expectations (DNME)	One or more SPOs rated DNME	0

Section III, C.2. is updated to read “The number of shares for each rating level will be as follows: 4 shares are assigned to a Significantly Exceeds Expectations summary rating when an employee receives SEE ratings in all critical elements; 3 shares are assigned when an employee receives a summary rating of EE, when a majority of SPOs are rated SEE or EE and the remaining are rated FME; 2 shares are assigned to an FME summary rating when an equal amount of SEE or EE and FME SPOs, or a majority are rated FME and the remaining are rated SEE or EE; 1 share is assigned to an FME rating when all SPOs are rated FME and no critical element is rated below FME. Employees who receive a final summary rating of FME with one or more critical elements rated at the NI level are not eligible for any shares from the performance pay pool.”

The performance share distribution is updated to reflect the implementation of the five-level performance rating change. Pay share distribution is outlined in the table below:

Summary Rating Level	Derivation	Shares
Level 5 – Significantly Exceeds Expectations (SEE)	All SPOs are rated SEE	4

Level 4 – Exceeds Expectations (EE)	Majority of SPOs are rated SEE or EE and the remaining are rated FME	3
Level 3 – Fully Meets Expectations (FME)	Equal SEE or EE and FME SPOs or majority are rated FME and the remaining are rated SEE or EE All SPOs are rated FME	2 1
Level 2 – Needs Improvement (NI)	One or more NI SPOs with none rated DNME.	0
Level 1 – Does Not Meet Expectations (DNME)	One or more SPOs rated DNME	0

This change will take effect immediately upon publication and the rating share pattern will be applied in computing performance-based shares at the end of FY 2023 performance appraisal period. This table will be incorporated into the NNSA DEMO policies and procedures manual.

4. Notification Responsibilities

As required by 5 CFR 470.315, NNSA has the following notification responsibilities for this project modification: Notify and make copies of this Federal Register notice available to all employees affected by the activities of the demonstration project.

U.S. Office of Personnel Management.

Stephen Hickman,

Federal Register Liaison.

Approval

Pursuant to 5 CFR 470.315, OPM approves the following modification to NNSA's final project plan.

Specific Textual Changes to the Project Plan

In FR Doc. 07-6144, published on December 21, 2007 (72 FR 72776), make the following textual changes:

(1) On Page 72794: "Program Requirements"

Program requirements is amended, as excerpted:

"The program currently uses a five-level rating pattern to both summarize performance and to appraise performance at the element level. Its summary level pattern under 5 CFR 430.208(d) uses Levels 1, 2, 3, 4, and 5, which NNSA has labeled Does Not Meet Expectations, Needs Improvement, Fully Meets Expectations, Exceeds Expectations, and Significantly Exceeds Expectations, respectively."

(2) On Page 72795: "Performance Shares"

Performance Shares is amended, as excerpted:

"The number of shares for each rating level will be as follows: 4 shares are assigned to a Significantly Exceeds Expectations summary rating when an employee receives SEE ratings in all critical elements; 3 shares are assigned when an employee receives a summary rating of EE, when a majority of SPOs are rated SEE or EE and the remaining are rated FME; 2 shares are assigned to an FME summary rating when an equal amount of SEE or EE and FME SPOs, or a majority are rated FME and the remaining are rated

SEE or EE; 1 share is assigned to an FME rating when all SPOs are rated FME and no critical element is rated below FME.”

[FR Doc. 2023-06766 Filed: 4/3/2023 8:45 am; Publication Date: 4/4/2023]